

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

October 31, 2001

IN RE:)	
)	
RBS GAS UTILITY, INC.)	DOCKET NO.
ACTUAL COST ADJUSTMENT (ACA) AUDIT)	01-00287

**ORDER ADOPTING ACA AUDIT REPORT OF TENNESSEE REGULATORY
AUTHORITY'S ENERGY AND WATER DIVISION**

This matter came before the Tennessee Regulatory Authority (the "Authority") at a regularly scheduled Authority Conference held on August 21, 2001, for consideration of the report of the Authority's Energy and Water Division (the "Staff") resulting from the Staff's audit of RBS Gas Utility, Inc.'s ("RBS" or the "Company") annual deferred gas cost account filing for the year ended February 28, 2001. The Actual Cost Adjustment ("ACA") Audit Report (the "Report"), attached hereto as Exhibit 1, contains the audit findings of the Staff, the responses thereto of the Company, and the recommendations of the Staff to the Company in addressing the findings.

The Company submitted its ACA filing on April 3, 2001, and the Staff completed its audit of the Company's filing on August 8, 2001. On August 8, 2001, the Staff issued its preliminary ACA audit findings to the Company, and the Company responded to these findings on the same day. The Staff filed its Report with the Authority on August 9, 2001. The Report contains three findings. The first finding is that the Company did not apply the correct ACA factor during several periods, resulting in an \$8,243.22 under-recovery of its gas costs. As indicated in the Report, the Company responded that it has implemented a new internal control

procedure to ensure timely and proper implementation of future Authority amendments to Purchased Gas Adjustment and ACA factors. The second finding is that the Company incorrectly recorded the beginning balance from the prior audit period. As stated in the Report, the Company responded that in the future it will correctly input ACA balances as given to the Company by the Authority Staff. The third finding is that the Company incorrectly stated the interest on its ACA balance. The Report notes that the Company has been cited for not applying the correct interest factor in its prior three ACA audits. As stated in the Report, the Company responded that it will take measures to ensure that the correct interest factors are used in the future.


The Report states that the Company's April 3, 2001 ACA filing, which covered the period from March 1, 2000 to February 28, 2001, reflected an over-collection of gas costs of \$28,359.74. The Report further states that the Staff's three audit findings showed a net under-collection of gas costs in the amount of \$3,628.58, which results in a corrected ending balance as of February 28, 2001 of \$24,731.16 in over-collected gas costs. The Report states that the Staff recommends that the Company include a refund factor on its customers bills of negative \$.7486 per Mcf starting with the August 2001 billing period in order to refund this amount over the next twelve months.

After consideration of the Report, the Authority unanimously approved and adopted the findings and recommendations contained therein. In addition, the Authority ordered the Company to provide sufficient documentation to the Authority within sixty (60) days showing that the problems noted in the Report have been corrected.

IT IS THEREFORE ORDERED THAT:

1. The Actual Cost Adjustment Audit Report, a copy of which is attached to this order as Exhibit 1, is approved and adopted, and the findings and recommendations contained therein are incorporated in this Order as if fully rewritten herein;
2. The Company shall provide sufficient documentation to the Authority within sixty (60) days showing that the problems noted in the Report have been corrected; and
3. Any party aggrieved by the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen (15) days from the date of this Order.


Sara Kyle, Chairman


H. Lynn Greer, Jr., Director


Melvin J. Malone, Director

ATTEST:


K. David Waddell, Executive Secretary